

## Message Text

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PASS OECD

E.O. 11652: N/A

TAGS: ENRG, IEA

SUBJECT: ENERGY: IEA/SLT REPORT ON IRELAND

DUBLIN: PLEASE PASS TO MR. A.H. MILKOP, MINISTRY OF  
ENERGY RESOURCES FROM MR. G. ROSEN, SLT CHAIRMAN.  
OECD: PLEASE PASS TO MR. P. KELLY, IEA SECRETARIAT.

1. CHAIRMEN OF THE STANDING GROUP ON LONG-TERM COOPERA-  
TION, CONSERVATION SUBGROUP, AND ACCELERATED DEVELOPMENT  
SUBGROUP, AND SECRETARIAT HAVE REVIEWED YOUR DRAFT REPORT  
ON THE ENERGY PROGRAM AND POLICIES OF IRELAND. THE  
FOLLOWING TEXT INCORPORATES THEIR COMMENTS. PLEASE  
CONSIDER THE APPROPRIATENESS OF RECOMMENDED CHANGES  
IN YOUR FINAL REPORT. YOU SHOULD ALSO ARRANGE TO  
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DISCUSS YOUR REPORT WITH THE IRISH DELEGATE BEFORE THE  
NEXT SLT MEETING OF FEBRUARY 28-MARCH 1 AND COMMUNICATE  
FINAL VERSION TO THE SECRETARIAT.

2. STANDING GROUP ON LONG-TERM COOPERATION: REVIEW  
OF IRELAND

RAPPORTEUR: A. H. MILKOP (NEW ZEALAND)

I. SUMMARY DESCRIPTION OF PROGRAMMES

THE CHANGE OF GOVERNMENT IN JULY 1977 AND ITS DECISION TO REVIEW ALL ASPECTS OF ENERGY POLICY, RESULTED IN A VIRTUAL STANDSTILL IN ENERGY POLICY DEVELOPMENT DURING 1977.

THE REORGANISATION OF GOVERNMENT DEPARTMENTS AND MINISTERIAL FUNCTIONS IN THE AUTUMN OF 1977 RESULTED IN THE TRANSFER OF ENERGY MATTERS TO THE MINISTRY OF INDUSTRY, COMMERCE AND ENERGY. TWO COMMITTEES HELP COORDINATE ENERGY POLICY, NAMELY, THE INTER-DEPARTMENTAL COMMITTEE ON ENERGY POLICY, COMPOSED OF RELEVANT GOVERNMENT DEPARTMENTS, AND THE ADVISORY COMMITTEE ON ENERGY CONSERVATION, WHICH INCLUDES REPRESENTATIVES OF STATE SPONSORED ORGANISATIONS AND GOVERNMENT DEPARTMENTS.

#### NATIONAL POLICY OBJECTIVES

THE PRINCIPAL ENUNCIATED AIM OF IRISH ENERGY POLICY IS THE REDUCTION OF THE PRESENT HIGH LEVEL OF DEPENDENCE ON IMPORTED OIL, (70 PERCENT IN 1976). ENERGY BALANCES SUBMITTED, WHICH REFLECT NO NEW CONSERVATION OR SUPPLY POLICY INITIATIVES, PROJECT NET OIL IMPORTS TO INCREASE UNCLASSIFIED

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FROM 4.9 MTOE IN 1976 TO 10.6 MTOE IN 1985. SUCH PROJECTIONS ASSUME GROWTH RATES FOR GDP OF 6 PERCENT P.A., AND FOR TPE OF 8 PERCENT P.A., A SMALL INCREASE IN INDIGENOUS ENERGY PRODUCTION (1.4 MTOE IN 1976 TO 2.9 MTOE IN 1985), THE DIVERSIFICATION OF ENERGY SOURCES, EXISTING ENERGY CONSERVATION MEASURES, AND A VIGOROUS PROGRAMME OF OFFSHORE HYDROCARBON EXPLORATION. THE TPE/GDP RATE WHICH HAS DECLINED FROM 1.56 (73) TO 1.49 (76) IS PROJECTED TO INCREASE TO 1.87 (85), ONE OF THE HIGHEST RATIOS IN THE IEA.

THE IRISH AUTHORITIES CONSIDER THE BALANCES SUBMITTED AS PROJECTIONS OF PRESENT TRENDS, RATHER THAN TARGETS.

IN THE INDUSTRIAL SECTOR, TPE GROWTH OF SOME 16 PERCENT ANNUALLY IS PROJECTED THROUGH 1985, TWO AND A HALF TIMES THE RATE OF GDP GROWTH. THIS ASSUMES NO INTRODUCTION OF ENERGY CONSERVATION MEASURES OR CONTROLLED DEVELOPMENT OF ENERGY INTENSIVE INDUSTRY. THE INDUSTRIAL DEVELOPMENT AUTHORITY, IN CLOSE COORDINATION WITH THE DEPARTMENT OF INDUSTRY, COMMERCE AND ENERGY, HAS BEEN CHARGED WITH ENSURING REASONABLE ENERGY GROWTH CONSISTENT WITH ECONOMIC DEVELOPMENT TARGETS.

ENERGY USE IN THE RESIDENTIAL/COMMERCIAL SECTOR IS

ASSUMED TO INCREASE BY ONLY 2 PERCENT ANNUALLY, IMPLYING

AN EXTREMELY LOW ELASTICITY OF 0.3.

THE TRANSPORTATION SHARE OF ENERGY USE WILL DECREASE  
FROM 28 PERCENT IN 1976 TO 18 PERCENT IN 1985.

REGARDING SUPPLY, INCREASES PROJECTED WILL RESULT FROM  
PROVEN NATURAL GAS AND PEAT DEVELOPMENT WITH INCREASED  
OIL IMPORTS MAKING UP THE BALANCE.

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#### MAJOR POLICY MEASURES

PRINCIPAL ENERGY MEASURES NOW IN PLACE INCLUDE THE  
FOLLOWING:

##### DEMAND

- ENERGY PRICES AT WORLD MARKET LEVELS;
- WIDE USE OF PEAK LOAD PRICING AND THE PHASING OUT OF  
DECLINING BLOCK RATES;
- MANDATORY INSULATION STANDARDS AND FINANCIAL INCENTIVES  
FOR RETROFITTING EXISTING BUILDINGS. THESE MEASURES  
APPLY TO A SMALL SEGMENT OF THE BUILDING STOCK;
- SPEED LIMITS DEPENDING ON TYPE OF HIGHWAY/ROAD OF  
97-80 AND 64 KMH;
- GRANTS FOR FUEL EFFICIENCY STUDIES AND USE OF WASTE  
HEAT BY THE INDUSTRIAL SECTOR;

##### SUPPLY

- INCREASE OF PEAT PRODUCTION FROM 1.2 MTOE TO 1.7 MTOE  
IN 85;
- ACTIVE OFFSHORE HYDROCARBON EXPLORATION CONSISTING  
OF SOME 29 WELLS (UP TO THE END OF 1976);
- NEAR COMPLETION OF DEVELOPMENT WORK AT KINSALE HEAD  
GAS FIELD WHICH WILL RESULT IN 1 MTOE A YEAR BY 1985.  
THE INTER-DEPARTMENTAL COMMITTEE ON ENERGY POLICY IS  
CONSIDERING HOW SUCH GAS WILL BE UTILIZED.

## II. EVALUATION OF PROGRAMME

### (A) OVERALL IEA OBJECTIVES

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DEPENDENCE ON OIL IS RISING IN BOTH ABSOLUTE AND  
RELATIVE TERMS. IMPORT DEPENDENCE IS PROJECTED TO RISE  
FROM 70 PERCENT IN 1976 TO 75 PERCENT IN 1985. THIS  
HIGHLIGHTS CURRENT DEFICIENCIES IN IRELAND'S POLICIES,

NOTWITHSTANDING THE NATIONAL POLICY AIM OF REDUCING THE  
PRESENT HIGH LEVEL OF DEPENDENCE ON IMPORTED OIL.

(B) PRICING

DOMESTIC ENERGY PRICES TEND TO CONTRIBUTE TO THE  
EFFICIENT USE OF ENERGY AS THEY ARE SET ON THE BASIS  
OF FULL COSTS TO COVER DEPRECIATION CHARGES, INTEREST  
COSTS, SUBSTANTIAL TAXES (IN THE CASE OF PETROL),  
AND REVENUE SURPLUSES AVAILABLE FOR CAPITAL WORKS,  
(IN THE USE OF ELECTRICITY WHERE ANTICIPATED LEVEL  
OF INTERNAL FINANCING IS 40 PERCENT. THE ONLY SUBSIDY  
GIVEN IS IN RESPECT OF TOWN GAS, BUT THIS IS MINOR AND  
AN OVER-RIDING SOCIAL POLICY.

(C) ENERGY CONSERVATION

THERE ARE, SO FAR, VERY FEW MANDATORY MEASURES IN PLACE  
AND THE EXISTING PROGRAMME INCLUDES ONLY A SMALL  
BUDGET TO PROVIDE INCENTIVES FOR ENERGY CONSERVATION  
MEASURES IN THE RESIDENTIAL, COMMERCIAL AND INDUSTRIAL  
SECTORS.

A CAREFUL ACADEMIC STUDY WAS PUBLISHED IN MID-1976 ON  
ENERGY CONSERVATION IN IRELAND. THIS HAS NOT YET LED TO  
NEW POLICY DEVELOPMENT: RATHER IT IS UNDER COMMITTEE  
STUDY, AND IT IS HOPED THAT THIS IS NOT A SYNONYM FOR  
PIGEON-HOLING. THE 1976 SLT REVIEW MADE THE RECOMMENDA-  
TIONS SET OUT BELOW. THE RATHER MODEST ACTIONS SO FAR  
TAKEN ARE SHOWN AGAINST EACH OF THEM:

(A)(I) MANDATORY INSULATION FOR -- DRAFT CODE PUBLISHED  
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ALL NEW BUILDINGS REGARDING RESIDENCES  
- ONLY AND COMMENTS  
- INVITED

(A)(II) FINANCIAL INCENTIVES FOR -- RETROFITTING GRANTS  
RETROFITTING EXISTING ARE AVAILABLE BUT  
BUILDINGS UNDER CONDITIONS  
- WHICH MAY BE UNATTRAC-  
- TIVE TO HOUSE-HOLDERS

(B) WIDESPREAD APPLICATION OF -- A CURRENT SCHEME OF  
FINANCIAL INCENTIVES AND TECH-UP TO 35 PERCENT GRANT  
NICAL ADVICE AND GUIDELINE FOR CONSULTANTS AND  
FOR INDUSTRY TO ENCOURAGE A 25 PERCENT GRANT  
ADOPTION OF ENERGY FOR MODIFICATIONS IS  
EFFICIENT EQUIPMENT OR CALLING ON ONLY  
TECHNOLOGY DOLS 30,000 P.A.,  
- WHICH APPEARS

- INSUFFICIENT TO ENSURE
- A SIGNIFICANT IMPACT
  
- -- TWO SPECIFIC INDUSTRY
- ORIENTED PROJECTS FOR PROMO-
- TION OF EFFICIENCY AND ENERGY
- MANAGEMENT OF SIX ENERGY
- INTENSIVE INDUSTRIES ARE
- CARRIED OUT BY THE INSTITUTE
- FOR INDUSTRIAL RESEARCH
- (COST 200,000 POUNDS)

(C) DISTRICT HEATING -- UNDER STUDY, BUT OUTLOOK NOT  
- PROMISING

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(D) CONTINUED PHASING OUT -- CONTINUING  
OF DECLINING BLOCK  
TARIFFS FOR ELECTRICITY

THE PROGRAMME OF ABANDONING CAR LICENSE FEES ON CARS  
UNDER 2000 CC MAY TEND TO ACCELERATE GASOLINE CONSUMPTION  
IF IT INCREASES CAR OWNERSHIP.

CONSERVATION PROGRAMMES NEED STRENGTHENING. ADDITIONAL  
OPTIONS SHOULD BE SOUGHT URGENTLY FROM THE ADVISORY  
COMMITTEE ON ENERGY CONSERVATION.

(D) INTER-FUEL SUBSTITUTION

REGRETTABLY, NOTHING HAS BEEN DONE SO FAR IN THIS AREA  
APPARENTLY BECAUSE OIL IS STILL THOUGHT TO BE THE  
CHEAPEST COST ALTERNATIVE. THE 1976 SLT REVIEW  
RECOMMENDED THAT THE 540 MW OF NEW HYDRO CARBON FUELED  
CAPACITY DUE FOR COMPLETION BY 1985 SHOULD BE REPLACED  
BY COAL-FIRED CAPACITY, OR AS A MINIMUM, WITH COAL-FIRED  
CAPABILITY. THE STATE OF CONSTRUCTION OF THE PLANTS  
CONCERNED IS:

(1) THE 270 MW OIL-BURNING CAPACITY IS AT PRESENT IN THE  
FINAL STAGES OF CONSTRUCTION AND WILL BE COMPLETED IN  
LATE 1978/EARLY 1979. IT IS TOO LATE TO REDESIGN THIS  
PLANT FOR OPTIONAL COAL USE;

(2) THE OTHER 270 MW STATION PLANNED TO BE DUAL-FIRED  
(WITH NATURAL GAS AS THE PRIMARY FUEL) HAS NOT YET BEEN  
STARTED. IT IS INCLUDED IN THE PROGRAMME FOR NEW  
ELECTRICITY GENERATION PRESENTLY UNDER STUDY.

IT IS THUS STILL POSSIBLE TO PROVIDE FOR A COAL-FIRED  
CAPABILITY IN THE SECOND PLANT.

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ANOTHER SLT RECOMMENDATION WAS MADE TO RESTRICT THE USE OF THE PROPORTION (57 PERCENT) OF THE GAS EARMARKED FOR ELECTRICITY GENERATION, AND TO USE IT DIRECTLY IN INDUSTRY AS A SUBSTITUTE FOR OIL AND ELECTRICITY. THIS MATTER IS NOW BEING REVIEWED.

THE BENEFITS OF USING IMPORTED STEAM COAL AS AN INDUSTRIAL FUEL, AND AS A FUEL FOR ELECTRICITY GENERATION HAVE BEEN DOWN-RATED BECAUSE PRICES OF OIL AND COAL HAVE BEEN ESTIMATED TO MOVE IN PARALLEL. IN CARRYING OUT ECONOMIC CALCULATIONS, IRELAND SHOULD RECOGNISE THAT PRESENT DAY FUEL PRICE RELATIONSHIPS FROM A SOFT OIL MARKET ARE UNLIKELY TO CONTINUE IN THE LONG TERM.

IT APPEARS THAT THE ELECTRICITY SUPPLY BOARD OPERATES WITH A CONSIDERABLE AUTONOMY AND IS NOT AT PRESENT SUSCEPTIBLE TO STRONG GUIDANCE BY THE IRISH ADMINISTRATION.

(E) ACCELERATED DEVELOPMENT

WITH AN APPARENTLY SMALL INDIGENOUS RESOURCE BASE, IT SEEMS THAT IRELAND WILL HAVE TO GIVE THE QUESTION OF INTRODUCTION OF NUCLEAR POWER EARLY AND SERIOUS CONSIDERATION AS A MEANS OF DIVERSIFYING ITS SUPPLY BASE.

EXPLORATION FOR PETROLEUM IS TO PROCEED AT AN INCREASING PACE IN 1978 (16 WELLS), FOLLOWING ON FROM THE MODERATE SIZED GAS FIELD (28 CU. M. X 10 TO THE 9 POWER) FOUND IN 1973 AND CURRENTLY BEING DEVELOPED. NO PRICING RIGIDITIES WOULD SEEM TO EXIST AS AN INHIBITOR TO CONTINUING EXPLORATION AND DEVELOPMENT EFFORTS FOR ENERGY FORMS.

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(F) FALLBACK STRATEGY

IN THIS CASE, IT IS NOT ONLY A FALLBACK STRATEGY THAT NEEDS TO BE DEVELOPED, BUT A STRATEGY TO REDUCE RELIANCE ON OIL.

(G) ADEQUACY OF EFFORTS

IRELAND HAS FALLEN BEHIND IN ITS IMPLEMENTATION OF EFFECTIVE ENERGY POLICIES OVER THE REVIEW PERIOD, AND FACES VERY ADVERSE ENERGY SUPPLY/DEMAND PROSPECTS.

SINCE THE 1976 REVIEW, IRELAND HAS VIRTUALLY BEEN MARKING TIME. THIS IS IN PART ACCOUNTED FOR BY A CHANGE OF GOVERNMENT IN JULY 1977, BUT THIS INACTION MEANS

THAT IRELAND'S SITUATION AT THE TIME OF REVIEW IS INCONSISTENT WITH THE AGENCY'S AGREED OBJECTIVE OF LIMITING OIL IMPORTS; IN PARTICULAR, DUE TO THE PROJECTED HIGH LEVEL OF ENERGY GROWTH AND THE RESULTING LEVELS OF OIL IMPORTS. ENERGY POLICY IS UNDER REVIEW AT PRESENT, BUT COMMITTEE ACTIVITY CANNOT BE AN ACCEPTABLE SUBSTITUTE FOR POLICY ACTION.

### III. RECOMMENDATIONS

IT IS RECOMMENDED THAT IRELAND ADOPT A COMPREHENSIVE ENERGY STRATEGY INCLUDING THE FOLLOWING ELEMENTS:

#### CONSERVATION GENERAL

-- RAPID IMPLEMENTATION OF MEASURES RECOMMENDED IN THE 1976 CONSERVATION STUDY;

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-- INCREASED PUBLIC FUNDS FOR ENERGY CONSERVATION;

#### RESIDENTIAL/COMMERCIAL

-- BUILDING CODE WITH MINIMUM THERMAL EFFICIENCY FOR ALL NEW BUILDINGS;

-- MANDATORY EFFICIENCY STANDARDS AND LABELLING OF HOUSEHOLD APPLIANCES THROUGH AN APPROPRIATE MECHANISM;

-- STRONGER INCENTIVES FOR RETROFITTING EXISTING HOUSES;

#### TRANSPORT

-- MANDATORY FUEL EFFICIENCIES FOR CARS THROUGH AN APPROPRIATE MECHANISM;

-- MONITOR EFFECTS OF REMOVING TAXES ON CARS BELOW 2000 CC'S, AND RECONSIDER IF APPROPRIATE.

#### INDUSTRY

-- EFFECTIVE INCENTIVES FOR ENERGY-SAVING EQUIPMENT AND PROCESSES;

-- CAREFUL SCRUTINY OF THE ENERGY EFFICIENCY OF ALL NEW ENERGY INTENSIVE INDUSTRIES;

ENERGY SECTOR

-- INCENTIVE PROGRAMME FOR COMBINED PRODUCTION OF HEAT/  
POWER AND FOR WASTE HEAT UTILIZATION;

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SUPPLY

-- ESTABLISH A NATURAL GAS PRICING POLICY AIMED AT  
ENCOURAGING ADDITIONAL EXPLORATION AND DEVELOPMENT.

-- EXPLORE ENERGETICALLY, POSSIBILITIES OF IMPORTING  
COAL ON A LONG TERM CONTRACT BASIS, AND INSTALL COAL  
BURNING CAPACITY IN ALL NEW POWER PLANTS;

-- ACCELERATE THE REVIEW OF THE NUCLEAR POWER PLANT  
PROJECT;

-- KEEP UNDER REVIEW, ESPECIALLY IN VIEW OF POSSIBLE  
NEW DISCOVERIES, THE POTENTIAL FOR USING NATURAL GAS  
PARTICULARLY IN INDUSTRY RATHER THAN FOR ELECTRICITY  
GENERATION. VANCE

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